

Kansas Department of Credit Unions

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ADMINISTRATOR'S BULLETIN

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CREDIT UNION COUNCIL NEWS

The Credit Union Council is seeking candidates to serve on the seven-member Council. Currently, two positions are open since the members left their respective credit unions.

One position represents the 1st Congressional District and the other represents the 2nd Congressional District. All indications are that a third council position will be open this year, this being a position in the 4th Congressional District.

All positions are appointed by Governor Bill Graves and are no longer subject to Senate confirmation as was the requirement in the past. Credit union officers and officials are qualified under state law for appointment.

For those wishing to receive an application, or if you have questions about the Credit Union Council, please contact Jerel Wright, Administrator at 785-296-3021.

DEPARTMENT NEWS

Gail Kasson will retire from the department on March 15, 2002 after 33 years of service. Gail began his career with the department on January 1, 1969 as a Bank Examiner II. He worked his way up through the ranks of field examiners and now serves as the Financial Examiner Administrator, the highest classified position within the department.

You can wish Gail well by joining us for a reception in the Topeka Office on Friday,

March 15th from 1:00 - 3:30 P.M. in the department conference room.

Freda Chabira was recently awarded her 40-year service pin by Governor Bill Graves.

Freda is our Administrative Specialist who handles all personnel and human resources functions for the department as well as all CU Council meetings.

We are pleased to announce we have recently hired Michael Baugh as a Financial Examiner. Michael lives in Newton, Kansas and will continue to live in and work from that part of the state. Michael has a work history that involves working in several financial institutions.

Department staff recently attended the 36th Annual NASCUS Conference and Symposium held at Dana Point, California. The conference revealed a renewed interest among states in alternative deposit share insurance now available only in a few states.

ACCOUNTING ISSUES

K.S.A. 17-2217 concerning required reserve transfers for natural person credit unions was amended during the 2001 legislative session.

Kansas law now requires credit unions to comply with the reserving requirements of NCUA Rules and Regulations Part 702 (Prompt Corrective Action). Under this rule, no reserve transfers are required by the credit union, unless your net worth falls

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below 7%. The credit union must monitor its net worth ratio and must notify NCUA and the department if the ratio falls below 7%.

One key distinction under the NCUA rule is that the credit union must subtract the balance of your Allowance for Loan and Lease Loss Account from reserves as part of your Net Worth calculation. You can only use the balance in the regular reserve, undivided earnings and other reserves that have been set-aside for specified purposes.

The credit union has four options for defining total assets when determining your Net Worth Ratio. The rule allows the credit union to define total assets as quarter-end total assets, average daily assets over the calendar quarter, average of the three month-end balances over the calendar quarter or average of the current and three preceding calendar quarter-end balances.

The credit union has the choice of selecting the total asset definition most favorable to their Net Worth Ratio.

PROVISION EXPENSE RECOVERY

Recent experience indicates that a number of credit unions are still recovering the provision expense back to undivided earnings as part of the closing entries. The credit union may no longer recover the Provision Expense to undivided earnings as was allowed prior to the adoption of NCUA Regulation 702 - Prompt Corrective Action. See NCUA Letter to Credit Unions 01-CU-01.

If you have any questions concerning the change in accounting on this matter, please feel free to call the Department.

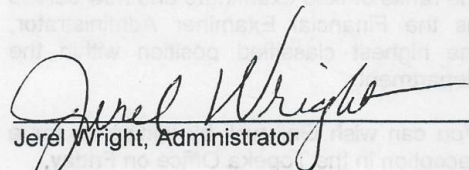
SELECTED FINANCIAL TRENDS OF STATE CHARTERED KANSAS CREDIT UNIONS

As of December 31, 2001, the total assets of Kansas chartered natural-person credit unions were \$2,137,082,420 compared to December 31, 2000 when total assets were \$1,911,605,661. This \$225,476,759 in asset growth equates to an 11.8% increase in assets.

Total loans as of December 31, 2001, were \$1,508,793,037 compared to December 31, 2000 when total loans were \$1,427,790,508. This amounts to a loan growth of \$81,002,529 or 5.79%.

The Net Worth compared to Total Assets of all Kansas chartered credit unions as of December 31, 2001 was 12.13%, down from December 31, 2000 when Net Worth was 12.77%. This 5.0% reduction represents the first decline in Net Worth in recent years.

The return on average assets as of December 31, 2001 is .74% compared to December 31, 2000 when the return on average assets was .83%.



Jerel Wright, Administrator